

Message Text

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ACTION EA-14

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OEP-01 OMB-01 CIEP-02 OPIC-12 SCI-06 EUR-25 NEA-10

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FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 6653

INFO CAMTBK/ AMEMBASSY BANGKOK 3299

AMEMBASSY BONN

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

C O N F I D E N T I A L RANGOON 0862

E. O. 11652: GDS

TAGS: EMIN BM

SUBJECT: SOME IMPLICATIONS OF BURMA' S NEW OIL POLICY

REF: RANGOON 0846 AND 0855

1. SUMMARY: THE IMPLICATIONS OF BURMA' S UNFOLDING OIL POLICY HAVE YET TO BECOME FULLY CLEAR. BUT DEVELOPMENTS CERTAINLY REFLECT A SHARP CHANGE IN NE WIN' S WLITUDES AS WELL AS A NEW APPRECIATION OF BOTH DOMESTIC REQUIREMENTS (ESPECIALLY THE PRESSING NEED FOR FOREIGN EXCHANGE) AND THE CHANGING INTERNATIONAL ENVIRONMENT. END SUMMARY.

2. NEW OIL POLICY SET FORTH REFTELS IS NOT ENTIRELY UNEXPECTED BUT CAME SOONER THAN ANTICIPATED. IT HAS BEEN EVIDENT FOR SOME TIME THAT MOC OFFICIALS HAVE BEEN DISSATISFIED WITH CURRENT OFF- SHORE OIL POLICY, WHICH HAS PRODUCED ONLY FIVE DRY WELLS IN YEAR AND HALF, AND THAT THEY CONSIDERED INDONESIAN EXPERIENCE AS A USEFUL MODEL FOR BURMA. RECENT VISIT OF DEPUTY FIMTNCE
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MINISTER U CHIT MAUNG TO INDONESIA (WEEKA 9, ITEM 7), DURING WHICH HE CALLED ON PRESIDENT OF STATE- OWNED OIL COMPANY ANE VISITED SEVERAL MILITARY INSTALLATIONS, INCREASED SPECULATION THAT GUB OFFICIALS WERE THINKING ALONG THESE LINES. HOWEVER, THERE HAD BEEN NO INKLING THAT NE WIN WAS ABOUT TO CHANGE HIS NEGATIVE ATTITUDE TOWARD DEALINGS WITH PRIVATE OIL COMPANIES. IN FACT FOREIGNERS WHO HAD TALKED WITH HIM RECENTLY HAD REPORTED NO CHANGE IN HIS ATTITUDE.

3. REASONS FOR NE WIN' S CHANGE OF HEART ARE UNKNOWN BUT AMONG FACTORS INFLUENCING HIS DECISION MAY BE FOLLOWING;

(A) NEED TO SPEED UP OFF- SHORE OIL EXPLORATION AND DEVELOPMENT TO OFFSET DETERIORATING BURMESE ECONOMY. EXPERTS FROM OIL INDUSTRY HAVE PREDICTED ALL ALONG THAT GUB WOULD HAVE TO TURN EVENTUALLY TO PRIVATE CAPITAL IN ORDER TO FIND AND EXPLOIT ITS OFF- SHORE OIL RESOURCES, BUT DEFENDERS OF BURMESE WAY TO SOCIALISM HAVE ARGUED THAT BURMA COULD AFFORD TO MAKE SLOW PROGRESS RATHER THAN TURN TO FOREIGN CAPITALISTS. NE WIN, WHO WAS KNOWN TO HAVE BEEN PINNING MORE AND MORE HOPE ON DISCOVERY OF AN OIL BONANZA, MAY HAVE FINALLY RUN OUT OF PATIENCE. IT IS HARDLY A COINCIDENCE THAT DECISION WAS MADE AT TIME WHEN DISMAL ECONOMIC RECORD OF

BURMESE WAY TO SOCIALISM DURING PAST YEAR WAS EXPOSED AT EXTRA-ORDINARY PARTY CONGRESS AND HAD FORCED NE WIN TO APPEAL TO DOMESTIC PRIVATE ENTREPRENEURS FOR HELP (RANGOON 0847). THUS WE SURMISE THAT PRAGMATIC CONSIDERATIONS HAVE OUTHLEIGHED AT THIS JUNCTURE IDEOLOGICAL IMPERATIVES LARGELY RESPONSIBLE FOR PRESENT ECONOMIC ILLS OF COUNTRY OFFICIALS IDENTIFIED WITH FORMER POLICY EVIDENTLY NOW MORE INFLUENTIAL WITH NE WIN THAN IN PAST.

(B) ANOTHER FACTOR MAY HAVE BEEN PRESSURE FROM MILITARY. MUCH OF BURMA' S MILITARY EQUIPMENT OF TYPE WHICH MUST BE IMPORTED FROM ABROAD (E. G. AIRCRAFT, TRUCKS, PERSONNEL CARRIERS,) IS IN URGENT NEED OF REPLACEMENT. NEAR BANKRUPT GUB CANNOT AFFORD TO PURCHASE REPLACEMENTS AND DOES NOT WANT TO ACCEPT GRANTS FROM MAJOR POWERS. GUB MILITARY OFFICIALS HAVE MADE NO SECRET OF FACT THEY WERE COUNTING ON OIL REVENUES TO RESCUE THEM.

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(C) DETENTE BETWEEN US AND JAPAN ON ONE HAND, A HYTPEOPLE' S
REPUBLIC OF CHINA ON OTHER, TOGETHER WITH US DISENGAGEMENT FROM
VIETNAM WAR ALSO PROBABLE FACTOR IN GUB POLICY CHANGE. IN EARLIER
EAYS GUB WOULD HAVE BEEN FEARFUL OF PRC' S REACTION TO ITS GRANTING
OF OFF- SHORE OIL EXPLORATION/ DEVELOPMENT PRIVILEGES TO US AND
JAPAN. NOW, HOWEVER, GUB' S WILLINGNESS JOIN ADB AND ASSUME MORE
ACTIVE ROLE IN OTHER REGIONAL GROUPS WHERE U. S. AND JAPANESE
INFLUENCE IS STRONG INDICATES SUCH FEARS ARE NO LONGER INHIBITING.
MARTIN

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